

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
Tom Burton
Marshall Johnson
Cynthia A. Kitlinski
Dee Knaak

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Commission Initiated
Investigation into the Public Interest
Implications of Eliminating Two-Party Service
in Minnesota

ISSUE DATE: December 30, 1994

DOCKET NO. P-999/CI-94-430

ORDER REQUIRING ELIMINATION OF
TWO-PARTY SERVICE

PROCEDURAL HISTORY

On May 12, 1994 the Commission opened this docket to examine the question of whether two-party telephone service has outlived its usefulness. The issue was raised by the Minnesota Department of Administration (Administration) in an earlier case exploring infrastructure issues.¹ In that case Administration had recommended eliminating two-party service because it did not consistently meet 911 technical standards. The Commission opened a separate investigation and requested comments from potentially interested persons, including all local exchange carriers.

The following parties filed comments: the Department of Administration (Administration), Rock Dell Telephone Company (Rock Dell), GTE Midwest and GTE Minnesota (GTE), United Telephone Company of Minnesota (United), U S WEST Communications, Inc. (U S WEST), the Residential Utilities Division of the Office of the Attorney General (RUD-OAG), the Minnesota Department of Public Service (the Department), Vista Telephone Company of Minnesota (Vista), and the Telecommunications Access for Communication-Impaired Persons Board (the TACIP Board).

The matter came before the Commission on November 9, 1994.

FINDINGS AND CONCLUSIONS

I. Comments of the Parties

A. Comments Supporting Elimination

None of the commenting parties opposed eliminating two-party service. Administration, the Department, GTE, U S WEST, the TACIP Board, and Vista recommended phasing out two-party service as companies' individual technical capabilities allowed. United recommended phasing out two-party service in exchanges with local measured service. Rock Dell stated it had been encouraging two-party customers to convert to one-party service for several years and could provide one-party service to all customers.

These parties saw two-party service as an anachronism. Nearly all local exchange carriers outside the metro area have discontinued two-party service, and only 0.65% of Minnesota access lines are now two-party.

¹ In the Matter of a Commission-Initiated Investigation to Establish Requirements for the Telecommunications Infrastructure in Minnesota, Docket No. P-999/CI-93-1176.

While these parties agreed that 911 safety concerns were the main reason for eliminating the service, they raised other concerns as well. They emphasized that two-party customers cannot use custom calling features, such as Call Waiting, and cannot use CLASS services. In many exchanges they cannot even use per-call or per-line blocking to keep their telephone numbers from being transmitted by Caller ID.

They cannot use answering machines effectively. They cannot use specialized equipment for persons with communications impairments. They cannot use faxes or modems without interfering with their party-mates' access to the shared line.

Furthermore, customer premises equipment is designed for single-party lines and must be adapted for use on a two-party line. If this is done incorrectly, party-mates will receive one another's calls, causing both inconvenience and billing errors.

Several commenting parties stated that many, if not most, two-party customers have one-party service in practice, because none of their neighbors have chosen two-party service. These customers receive reduced-price service without reduced quality.

Finally, although comprehensive cost information was not requested or filed, it appears that two-party service may no longer be less expensive to provide than one-party service. Local exchange facilities, like customer premises equipment, are now designed treating one-party service as the norm. Increasingly, providing two-party service requires special accommodations, which are not cost-free. Similarly, service quality and billing problems resulting from improperly adapted customer premises equipment require time and effort to resolve.

B. Comments Recommending Further Factual Development

While sharing other parties' concern about 911 effectiveness, the RUD-OAG emphasized the importance of consumer choice and the possibility that the two-party option furthers universal service goals. The RUD-OAG therefore recommended requiring further factual development of the 911 issue before proceeding.

II. Commission Action

A. Summary of Action

The Commission concludes that the public interest requires phasing out two-party service as soon as practicable. The Commission will establish a target deadline for each company, based on information supplied by the Department, and will require filings detailing individual companies' plans for compliance. The Commission will require companies providing two-party service during the interim to notify two-party customers of the potential for 911 problems and to explain what they can do to prevent them. These actions are explained below.

B. Policy Basis for Action

1. 911 Effectiveness

The Commission appreciates and shares the RUD-OAG's commitment to universal service and to preserving services, features, and programs that advance that goal. The Commission is convinced, however, that two-party service fails to meet contemporary standards of safety and quality and is no longer a valuable tool for promoting universal service. Similarly, the Commission respects and seeks to broaden consumer choice, but believes that two-party service is no longer a workable consumer option.

It is clear that two-party service cannot consistently deliver the same level of security in an emergency as one-party service. The Department of Administration reports that enhanced 911 service, which delivers the address of the calling party to the emergency dispatcher, does not work on two-party lines in exchanges without adaptive equipment. Even in exchanges with

adaptive equipment, it does not work if customer premises equipment has not been properly modified. Administration saw eliminating two-party service as the only sure way to end these problems.

The RUD-OAG urged the Commission to explore the potential for consumer education programs to ensure that all two-party customer premises equipment is properly modified. The Commission considers the stakes too high and the possibilities for error too numerous to take this recommendation. The Department of Administration, which is charged by law with administering the 911 program, believes that eliminating two-party service is the only way to secure maximum 911 effectiveness. The Commission agrees.

2. Other Concerns

The 911 safety issue is the main reason to eliminate two-party service; that issue would require today's action even in the absence of other concerns. The Commission is also deeply concerned, however, that two-party service is incompatible with the specialized equipment used by persons with communication impairments. That incompatibility calls into serious question the service's ability to serve effectively and credibly as a low cost alternative to one-party service.

Finally, eliminating two-party service will have other benefits which the Commission would not have eliminated two-party service to secure, but which will improve overall system quality. These include access to custom calling features, CLASS services, CLASS blocking options, and computer and fax applications. One of the byproducts of resolving the 911 safety issue will be upgrading service quality for all customers.

3. Rate Increases

A less fortunate but equally inevitable byproduct will be rate increases for two-party customers who convert to one-party service. Rate differentials between the two services currently range from \$.25 to \$4.00 per month.²

Residential rate increases, which may affect universal service, are always of special concern to the Commission. There is no evidence in the record, however, that two-party service is functioning as a lifeline service for low income households, contributing significantly to universal service. The Department reports there is no clear link between household income and two-party service.

Furthermore, many, if not most, of the exchanges offering two-party service also offer local measured service, a lower-cost, higher quality alternative to two-party service. It is hard to imagine a household taking two-party service that would not improve its service quality and lower its cost by moving to local measured service. The exception would be high usage customers, but theoretically they (and their party-mates) would find sharing a line impractical. Finally, the Telephone Assistance Plan is a potential resource for many, though by no means all, low-income households. For all these reasons, the Commission concludes that the rate increases necessary to convert all customers to one-party service should not stand in the way of today's action.

C. Conversion Schedule

The Department surveyed all local exchange carriers still offering two-party service to determine how soon they could convert all lines to one-party without prohibitive cost. The following deadlines for system-wide conversion are based on the Department's report. They do not require extensive system upgrades for one-party conversion alone, but build on existing upgrade schedules.

January 1, 1995

Callaway Telephone Company
People's Telephone Company

January 1, 1996

Rock Dell Telephone Company
Scott Rice Telephone Company
Zumbrota Telephone Company
GTE Minnesota

² Differentials given are for residential rates. Two-party business service is not available in most exchanges and is rarely used.

January 1, 1997

U S WEST Communications, Inc.

January 1, 1998

Vista Telephone Company of Minnesota

January 1, 1999

United Telephone Company of Minnesota

The Commission will require compliance filings detailing each company's plans for meeting these deadlines. Callaway and People's, which have no two-party customers, will not be required to make compliance filings.

The Commission will also prohibit all local exchange carriers except Vista from providing two-party service to new customers or new locations. Vista will be exempted because some of its switches currently lack the capacity to provide one-party service to all new customers or new locations.

D. Customer Notification

The Commission will require all local exchange carriers providing two-party service to send all two-party customers clear and complete written explanations of how two-party service may affect their 911 service. These explanations shall include clear instructions, or clear information on how to get instructions, on how to modify customer premises equipment to ensure maximum 911 effectiveness.

The Commission will also require all affected local exchange carriers to send a Commission- or staff-approved notice informing two-party customers that two-party service will be discontinued and stating the relevant time frame.

ORDER

1. Two-party service shall be eliminated in Minnesota. All companies offering two-party service shall stop offering it, and shall offer one-party service in its place, under the time frames set forth in the text above.
2. Within 60 days of the date of this Order all companies offering two-party service, except Callaway Telephone Company and People's Telephone Company, which have no two-party customers, shall make filings detailing their schedules for complying with paragraph one.
3. All companies offering two-party service shall file tariff pages reflecting the elimination of two-party service on or before their deadlines for eliminating the service.
4. All companies offering two-party service, except Callaway Telephone Company and People's Telephone Company, shall make a filing informing the Commission when they have completed the elimination of two-party service.
5. Within 30 days of the date of this Order, all companies offering two-party service, except Callaway Telephone Company and People's Telephone Company, shall file for review by Commission staff a proposed customer notice informing two-party customers that two-party service will be eliminated and stating when individual customers will be affected.
6. The customer notice required above shall not be mailed until it has been approved by the

Commission or Commission staff.

7. No company currently offering two-party service, except Vista Telephone Company of Minnesota, shall offer or provide two-party service to new customers or at new locations.
8. Within 60 days of the date of this Order all companies currently providing two-party service shall send all two-party customers clear and complete written explanations of how two-party service affects or may affect their 911 service. These explanations shall include clear instructions, or clear information on how to get instructions, on how to modify customer premises equipment to ensure maximum 911 effectiveness. Copies of these materials shall be served on the Commission.
9. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)